

## **Standard Commercial and Commercial Farm and Agribusiness Explanatory Memo and Supporting Documentation**

This memo applies to the following Companies within the Nationwide Insurance Group currently writing Standard Commercial and Commercial Farm and Agribusiness insurance in California: AMCO Insurance Company, Crestbrook Insurance Company, Depositors Insurance Company, Harleysville Insurance Company, Nationwide Insurance Company of America, Nationwide Agribusiness Insurance Company and Nationwide Mutual Insurance Company.

In response to the California Department of Insurance bulletin on April 13, 2020 (and supplemented May 15, 2020), following the state's shelter-in-place orders, we reviewed existing rates to confirm whether they are now excessive due to exposure reductions stemming from the pandemic. We determined that at best, certain lines of business are merely adequate when COVID-19 impacts are factored into existing rates. For other lines of business, rates appear significantly inadequate.

Standard Commercial, Farm, and Agribusiness are accommodating mid-term exposure adjustments to provide immediate premium relief on an individual basis where a policyholder experiences reduced exposures due to the pandemic. Additionally, we have several filings pending and estimate reduced premium income for each month delayed, effectively constituting future premium relief but also increasing overall rate inadequacy.

Pages 2-3 below provide a high-level summary of the COVID-19 effects by line of business on the Standard Commercial and Farm projected loss ratios and indications given the information currently available. The loss impacts are based upon changes in claims frequency observed in March and April relative to expectations as well as possible changes in claims severity directly and/or indirectly related to COVID-19 economic and social factors not previously considered in the loss projections. Details are provided in pages 4-6. We also estimated potential reductions in premium on an annual basis that also flow into the projected loss ratio impacts. Details on the premium reductions are highlighted on page 7.

An overall improvement in the Commercial Auto loss ratio is expected due to COVID-19. However, the current rate level in the state is inadequate by over 20%. Incorporating the potential loss ratio savings would reduce the gap in the level of inadequacy, but an adjusted indication remains of over 12% when calculated in accordance with the methods outlined using the CDI template. Farm Auto frequency is decreasing, but that decrease is less than Standard Commercial is experiencing, as farming operations necessarily continue during the shelter-in-place orders. This frequency reduction is expected to be offset by increased severity due partially to higher speeds on the highway.

For the other lines of business, the estimated net loss impact is expected to be minimal after incorporating expected increases in loss costs not considered in the original projections. Premiums, meanwhile, are expected to decline as a direct impact of COVID-19 where the exposure base (and hence ratable premium) is specifically driven by receipts or sales, payrolls, gallons of gas sold, etc. that may be lower during quarantine. The WC loss ratio is most impacted by changes in underlying exposure basis as almost all the premium is based on payroll. GL and BOP are still impacted but to a lesser extent as some, but not all, of the premium relies on class codes using exposure bases that may fluctuate during this time. The estimated premium reduction is expected to be more significant than the reduction in loss costs, resulting in increased loss ratios, further increasing the overall level of inadequacy in these lines.

Commercial Agribusiness has a small book of policyholders that are large, sophisticated operations, often with full-time risk managers who closely monitor insurance needs and exposures. Most agribusiness operations are deemed essential services, and therefore exposures are not expected to decrease overall. For those policyholders that are experiencing reduced exposures, Ag is reducing those exposures upon request. Because the book is so small and the operations so sophisticated, an across-the-board refund would not accurately address COVID-19 impacts, which are best handled on an individual basis through exposure reductions.

## Estimated Effects Due To Covid19 Claims on California Business

Standard Commercial by Line of Business *								
	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)
Line of Business	Net Loss Impact (California)	Net Premium Impact	Onlevel Premium	Projected loss and DCC Ratio	Adjusted Projected Loss Ratio	Net Impact on 2020 AY Loss Ratio	Estimated Indication	Adjusted Indicated Change
Business Auto	(8,071,207)	0	122,708,798	82.7%	76.2%	-7.9%	21.9%	12.2%
BOP	0	(3,286,799)	221,268,703	68.5%	69.5%	1.5%	13.2%	14.9%
GL	0	(1,316,370)	58,505,315	75.2%	76.9%	2.3%	1.0%	3.3%
WC	(18,075)	(71,187)	1,138,996	62.5%	65.0%	4.0%	5.3%	8.2%

(A) = Estimated annualized loss save

(B) = Estimated annualized reduction in premium

(C) = Onlevel Premium = Latest projected onlevel premium underlying latest indication (WC) or the last approved CDI template

(D) = Projected Loss and DCC Ratio from latest indications (WC) or 3 year average from approved DOI templates but made with alternative trend selections on the basis of actuarial judgment that may be more representative of our portfolio and adjusted for any approved rate changes if applicable

(E) = Adjusted Projected Losses / Adjusted Projected Premium =  $[(C) \times (D) + (A)] / [(C) + (B)]$

(F) = (E) / (D) -1

(G) = Point estimate for current indication based upon projected loss and DCC ratio (D) and assuming consistent derivation of indicated change via DOI template

(H) =  $[1+(G)] \times [1+(F)]$ ; Note for the purposes of this estimate, the adjusted indicated change assumes all expenses are variable consistent with the approach of the CDI template for all lines excluding WC. WC takes into account company fixed and variable expenses

\* - Standard Commercial means all underwriting companies except Crestbrook, Nationwide Agribusiness Insurance Company and Nationwide Mutual Insurance Company - Agribusiness Operations

Nationwide Agribusiness Insurance Company - Farm Operations								
	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)
Line of Business	Net Loss Impact (California)	Net Premium Impact	Onlevel Premium	Projected loss and DCC Ratio	Adjusted Projected Loss Ratio	Net Impact on 2020 AY Loss Ratio	Change at max ROR	Adjusted Indicated Change
Business Auto	0	0	71,239,497	96.3%	96.3%	0.0%	24.9%	24.9%
Farmowners	0	0	121,425,363	82.1%	82.1%	0.0%	32.9%	32.9%
GL	0	(247,040)	10,979,558	56.2%	57.5%	2.3%	-0.7%	1.5%
WC	(99,230)	(402,857)	6,445,704	60.6%	63.0%	4.0%	-1.7%	2.2%

(A) = Estimated annualized loss cost save

(B) = Estimated annualized % reduction in premiums due to exposure changes multiplied by Projected Onlevel Premium (D).

(C) = Onlevel Premium = Latest projected onlevel premium underlying latest filing or company indications

(D) = Projected Loss and DCC Ratio underlying latest filing or company indications

(E) = Adjusted Projected Losses / Adjusted Projected Premium =  $[(C) \times (D) + (A)] / [(C) + (B)]$

(F) = (E) / (D) -1

(G) = Latest calculated change usng change at Max ROR from CDI filing data adjusted for trend or rate changes as applicable; For WC and GL, internal indications are utilized.

(H) =  $[1+(G)] \times [1+(F)]$

## Calculation of Loss Impacts due to COVID-19

**Commercial Auto:** Nationwide's Standard Commercial, Farm, and Agribusiness auto claim volume has fallen since Stay-at-Home and Shelter-in-Place orders have taken effect in many states, resulting from and accompanied by increased use of work-from-home technologies and other social distancing efforts.

The following tables show the countrywide frequency and severity effects estimated from the COVID-19 Stay at Home and similar orders around the country. The March and April impacts reflect selections from actual data, while the other months were projected changes based on our best judgment of the impact, as well as the expected timeframe the orders were set to expire. Industry literature on expected impacts were also considered in making these selections.

It is important to note the following:

1. Considerable uncertainty exists in understanding what the ultimate impact of COVID-19 will be.
2. Farm and Commercial Agribusiness are essential services with operations that have typically continued during the pandemic and were less likely to experience exposure decreases

### Countrywide - Commercial

<i>Change in</i>	<b>March</b>	<b>April</b>	<b>May</b>	<b>June</b>	<b>July</b>	<b>August</b>	<b>Sept</b>
<b>Frequency</b>	-17.5%	-35.0%	-17.5%	-14.0%	-10.5%	-10.5%	-10.5%
<b>Severity</b>	5.0%	10.0%	5.0%	4.0%	3.0%	3.0%	3.0%

### Countrywide - Farm and Agribusiness

<i>Change in</i>	<b>March</b>	<b>April</b>	<b>May</b>	<b>June</b>	<b>July</b>	<b>August</b>	<b>Sept</b>
<b>Frequency</b>	-10.0%	-20.0%	-15.0%	-10.0%	-4.0%	0.0%	0.0%
<b>Severity</b>	5.0%	10.0%	7.5%	5.0%	2.0%	0.0%	0.0%

For Standard Commercial Auto, we expect the Annualized save to be an approximate 7.9% improvement to the pre-covid loss ratio and that figure was used to calculate the estimated loss save in the Impact Summary exhibit – Page 2, Column (A).

For Farm and Agribusiness auto, we estimate that the reduction is not material and have made no additional adjustments given the essential service nature of the farm business.

**Countrywide – Standard Commercial and Farm Workers Compensation:** There was a reduction observed in Workers Compensation claims (most materially in April), but there is material uncertainty regarding severity impacts and seeing additional direct COVID-19 claim exposures not built into the original projections:

### Countrywide Workers Compensation:

<i>Change in</i>	<b>March</b>	<b>April</b>	<b>May</b>	<b>June</b>	<b>July</b>	<b>August</b>	<b>Sept</b>
<b>Frequency</b>	-12.5%	-30.0%	-15.0%	-10.0%	-6.0%	-2.0%	-1.0%
<b>Severity</b>	10.0%	20.0%	10.0%	8.0%	6.0%	2.0%	1.0%

For Workers Compensation, we expect the Annualized save to be an approximate 2.5% improvement to the pre-covid loss ratio prior to any premium offsets. This estimate was used to arrive at the estimated

loss save in the Impact Summary exhibit, Page 2 Column (A) for Standard Commercial and page 3 for Farm Work Comp, Column (A). For Commercial Agribusiness, where operations are deemed essential and exposures have not decreased, we do not expect any material loss reduction.

**Other Lines:** Similar analyses of incoming claim volume trends were performed for other lines. Claim volumes were deemed to be in line with expectations for Nationwide's Property and core Casualty books, so no adjustments were made.

Turning to actual California-specific experience, results were monitored in a similar format, however, because material differences in the trends were not observed, the modelling was done at the countrywide level.

**Other Considerations:** In addition to our own data points experienced in March and April, when contemplating the impacts of COVID-19 on our Commercial business, there are many unknowns associated with potential loss exposure changes – some of which will not be known for some time. We continue to monitor results and industry publications, but have outlined some of the considerations noted in many industry publications and webinars below:

### **Business Auto**

Reductions in claim counts are expected for businesses that are unable to continue normal operations and reduce miles driven. Unlike some other lines of business, the rating basis (vehicle counts) does not flex, meaning vehicle counts will not necessarily fluctuate as businesses slow operations. While frequency impacts will be known rather quickly, severity impacts may lag. Key considerations for the Business Auto impact include:

- The length of time that the state restricts general economic slowdown is expected to impact auto exposures and miles driven more immediately.
- It may be more difficult to get vehicles repaired or serviced, impacting physical damage claims.
- Industry articles point to increasing trends in severe accidents as average speeds are increasing.
- Economic conditions (unemployment, reduction in incomes) may:
  - Increase the propensity to file claims,
  - Increase fraud,
  - Slow down the judicial process, potentially increasing the duration of claims, and
  - Encourage settlement rates to improve.

### **General Liability**

In addition to the indirect effects of COVID-19 stemming from reduced operations (fewer people working and reduced premiums from reduced rating exposures), there is a potential for lawsuits claiming negligence against businesses in stopping the transmission of the virus. These lawsuits were not previously contemplated in our loss projections. Information from industry publications point to these key drivers:

- The impact of these lawsuits is largely indeterminant at this time, given different potential scenarios around the severity of the illness and the outbreak potential, affecting the propensity to sue and estimates around awards and payment rates. Lawsuits certainly could offset any reductions in frequency resulting from the indirect, economic effects.
- Once the virus spreads, it may be more difficult for a claimant to demonstrate negligence. Conversely, as social distancing measures are enforced, it may be easier to more reliably trace the source of infection (e.g. to the trip to grocery store).
- Defense and Containment Costs ("DCC") may also increase in accordance with the potential lawsuits noted above, adding more uncertainty to the estimates.

### **Businessowners Program (“BOP”)**

The General Liability impacts described above also present themselves for the BOP program. Additionally, there is the potential for direct loss coming from the Business Interruption expense on the property side of the BOP program. While coverage (or lack thereof) is driven largely by contract language, additional DCC costs may result, though Pricing did not build this potential into the estimates further shown below.

### **Workers Compensation (“WC”)**

In addition to the indirect effects of COVID-19 on WC stemming from reduced operations (fewer people working and reductions in premiums due to reduced rating exposures), additional pressures on losses will likely come from other areas directly related to the pandemic, greatly impacting the range around loss estimates:

- The direct impacts on WC claims activity for non-health care workers who become sick and their resultant eligibility for indemnity and medical benefits are varied:
  - California declared that essential workers that contract the illness are presumed to have contracted through the course of employment unless proven otherwise.
  - The range or magnitude is great depending upon the assumptions around workplace restrictions, infection rates, hospitalization rate (critical vs moderate), death rate, etc. The WCIRB recently released estimates of this impact in California ranging from \$2B to over \$30B.
- Additional indirect impacts may increase the average cost of existing claims due to:
  - inability to get non-critical medical treatment or procedures,
  - additional indemnity benefits from employers who are downsizing and/or have little return-to-work, modified-duty capacity, and
  - delays due to court closures further extending time off.
- Repurposing or re-allocation of workers and workplace resources could impact the frequency and severity of WC claims, as workers shift to roles with unfamiliar duties and safety protocols.
- Economic conditions in general (recessions) could impact the frequency and severity of future WC claims.

## Calculation of Premium Effects Resulting from COVID19

Standard Commercial has seen reductions in in-force exposures associated with receipts or payrolls from March through May for GL, BOP, and WC. Using that data, estimated potential reductions in premium on an annual basis also flow into the projected loss ratio impacts as shown below.

### Estimated Premium Impact of Auto Liability Reductions in Exposure Bases

We do not expect any premium reductions for the commercial auto line of business as a result of exposure changes

### Estimated Premium Impact of BOP Liability Reductions in Exposure Bases

Estimated Annual Reduction in Liability Exposures for Market Segments with fluctuating exposure basis: (e.g Food Service, Retail)	-6.3% (a) = 12.5% x 6 mos/12 mos
- Assumes a 12.5% reduction over a 6 mos time period (March-September)	
Estimated % of total Liability premium in Food Service and Retail segments to total BOP:	23.8% (b)
Total reduction in estimated exposures across BOP program	-1.5% (c) = (a) x (b)
Total BOP Projected Onlevel EP:	221,268,703 (d)
Total Projected Premium Impact of COVID 19 exposure reduction:	(3,286,799) (e) = (c) x (d)
* carried to Summary Page 2 Column (b) for BOP	

### Estimated Premium Impact of General Liability Reductions in Exposure Bases

Estimated Annual Reduction in Liability Exposures for Market Segments with fluctuating exposure basis: (e.g Payroll, Receipts, Cost of Hire)	-3.0% (a) = 6% x 6 mos/12 mos
- Assumes a 6% reduction over a 6 mos time period (March-September); Reduction in receipts estimated at 14%; payroll/cost of hire was 2%	
Estimated % of total Liability premium with exposures associated with receipts, payroll or cost of hire:	75.0% (b)
Total reduction in estimated exposures across GL program	-2.3% (c) = (a) x (b)
Total GL Projected Onlevel EP:	58,505,315 (d)
Total Projected Premium Impact of COVID 19 exposure reduction:	(1,316,370) (e) = (c) x (d)
* carried to Summary, Page 2 Column (b) for GL	
 Total Farm Liability Projected EP:	 10,979,558 (f)
Total Projected Premium Impact of COVID 19 exposure reduction:	(247,040) (g) = (c) x (f)
* carried to Summary Page 3 Column (b) for Farm GL	

### Estimated Premium Impact of Workers Compensation Reductions in Exposure Bases

Estimated Annual Reduction in Payroll:	-6.3% (a) = 12.5% x 6 mos/12 mos
- Assumes a 12.5% reduction over a 6 mos time period (March-September);	
Estimated % of total WC premium with exposures associated with payroll:	100.0% (b)
Total reduction in estimated exposures across WC program	-6.3% (c) = (a) x (b)
Total WC Projected Onlevel EP:	1,138,996 (d)
Total Projected Premium Impact of COVID 19 exposure reduction:	(71,187) (e) = (c) x (d)
* carried to Summary Page 2 Column (b) for WC	
 Total Farm WC Projected EP:	 6,445,704 (f)
Total Projected Premium Impact of COVID 19 exposure reduction:	(402,857) (g) = (c) x (f)
* carried to Summary Page 3 Column (b) for Farm WC	

<b>Calculation of Projected Loss and DCC Ratio by Line of Business for Standard Commercial Lines</b>
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**Standard Commercial Auto:**

Latest Year Projected Loss and DCC Ratio underlying last approved rate filing:	106.5% (see Page 11)
Three Year Projected Loss and DCC Ratio underlying last approved rate filing:	102.1%
Three Year Projected Loss and DCC Ratio underlying last approved rate filing with alternative trend selections based upon actuarial judgement:	89.1% (a)
Average Underlying Loss Date of Current Rates:	1/1/2021 (b)
Average Underlying Loss Date included in Rate Indications:	7/1/2020 (c)
Additional period of Trend:	0.5 (d) = [(b)-(a)]/365
Approved Rate Change not contemplated in rate indication:	12.8% (e)
Net Annual Trend underlying projected loss ratio:	9.6% (f)
<b>Final Projected Loss and DCC Ratio adjusted for rate change and trend:</b> <b>(Carried to Summary Exhibit Page 2 column D)</b>	<b>82.7%</b> (g) = (a)*[1+(f)]^(d)/[1+(e)]

**Standard Commercial Businessowners Program**

Latest Year Projected Loss and DCC Ratio underlying last approved rate filing:	81.4% (see Page 12)
Three Year Projected Loss and DCC Ratio underlying last approved rate filing:	84.7%
Three Year Projected Loss and DCC Ratio underlying last approved rate filing with alternative trend selections based upon actuarial judgement:	72.4% (a)
Average Underlying Loss Date of Current Rates:	9/15/2020 (b)
Average Underlying Loss Date included in Rate Indications:	7/1/2020 (c)
Additional period of Trend:	0.2 (d) = [(b)-(a)]/365
Approved Rate Change not contemplated in rate indication:	6.0% (e)
Net Annual Trend underlying projected loss ratio:	1.3% (f)
<b>Final Projected Loss and DCC Ratio adjusted for rate change and trend:</b> <b>(Carried to Summary Exhibit Page 2 column D)</b>	<b>68.5%</b> (g) = (a)*[1+(f)]^(d)/[1+(e)]



<b>Calculation of Projected Loss and DCC Ratio by Line of Business for Standard Commercial Lines</b>
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**Standard Commercial General Liability**

Latest Year Projected Loss and DCC Ratio underlying last approved rate filing:	70.0% (see Page 13)
Three Year Projected Loss and DCC Ratio underlying last approved rate filing:	77.8% (a)
Average Underlying Loss Date of Current Rates:	7/7/2020 (b)
Average Underlying Loss Date included in Rate Indications:	7/1/2020 (c)
Additional period of Trend:	0.0 (d) = [(b)-(a)]/365
Approved Rate Change not contemplated in rate indication:	3.5% (e)
Net Annual Trend underlying projected loss ratio:	3.2% (f)
<b>Final Projected Loss and DCC Ratio adjusted for rate change and trend:</b> <b>(Carried to Summary Exhibit Page 2 column D)</b>	<b>75.2%</b> (g) = (a)*[1+(f)]^(d)/[1+(e)]

**Standard Workers Compensation**

Credibility-Weighted Loss & DCC Ratio	56.7% (a) - See Supporting Indication (Page 15)
Average Underlying Loss Date of Current Rates:	4/1/2021 (b)
Average Underlying Loss Date included in Rate Indications:	7/1/2021 (c)
Additional period of Trend:	-0.25 (d) = [(b)-(a)]/365
Approved Rate Change not contemplated in rate indication:	-8.6% (e) - Adopted Bureau LC eff 4-1-20
Net Annual Trend underlying projected loss ratio:	-3.0% 5f) - See Supporting Indication (Page 15)
<b>Final Projected Loss and DCC Ratio adjusted for rate change and trend:</b> <b>(Carried to Summary Exhibit Page 2 column D)</b>	<b>62.5%</b> (g) = (a)*[1+(f)]^(d)/[1+(e)]

<b>Calculation of Projected Loss and DCC Ratio by Line of Business for Farm Operations</b>
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**Farm Auto:**

Latest Year Projected Loss and DCC Ratio underlying last approved rate filing: (see Page 16 - taken from current pending DOI filing and carried to Summary Exhibit Page 3, column D)	96.3%
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**Farmowners:**

Latest Year Projected Loss and DCC Ratio underlying last approved rate filing: (see Page 17 - taken from current pending DOI filing and carried to Summary Exhibit Page 3, column D)	82.1%
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**Farm General Liability:**

Latest Year Projected Loss and DCC Ratio underlying last approved rate filing: (Taken from latest internal indication (see page 18) and carried to Summary Exhibit Page 3, Column D)	56.2%
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**Farm Workers Compensation**

Latest Year Projected Loss and DCC Ratio underlying last approved rate filing: (Taken from latest internal indication (see page 19) and carried to Summary Exhibit Page 3, Column D)	60.6%
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Note: For Farm Auto and Farmowners, projected loss and DCC ratios were taken from the current pending filings as being representative of our current level of rate inadequacy. Given the recent period of the data provided and the magnitude of the rate indications, no additional modifications were made. For Farm General Liability and Workers Compensation, our own internal data was utilized to arrive at the projected loss and DCC ratio from our most recent indication evaluation. Given that in both lines net loss ratio trends are zero or negative, no additional adjustments were deemed necessary.

## PRIOR APPROVAL RATE TEMPLATE FOR PROPERTY & LIABILITY LINES SUMMARY

Coverage/Form/Program	Latest Year Adjusted Annual Premium (\$)	Minimum Permitted Earned Premium (\$)	Maximum Permitted Earned Premium (\$)	Change at Minimum %	Change at Maximum %	Proposed %
Liability	84,702,362	88,907,344	129,615,777	5.0%	53.0%	13.6%
Physical Damage	23,131,088	22,747,929	28,575,016	-1.7%	23.5%	9.9%
Combined	107,833,450	111,655,273	158,190,794	3.5%	46.7%	12.8%

Combined Total Earned Exposures for Latest Year:

88,367

Coverage/Form/Program	Average Earned Premium \$ per Exposure				Latest Year Earned Exposures
	Latest Year Adjusted	Minimum Permitted	Maximum Permitted	Proposed	
Liability	1,895.13	2,182.11	3,181.25	2,152.87	44,695
Physical Damage	529.65	573.43	720.32	582.09	43,672
Combined	1,220.29	1,263.54	1,790.16	1,376.57	88,367

Coverage/Form/Program	Latest Year Adjusted Annual Premium (\$)	Latest Year Projected Ultimate Loss & DCCE (\$)	Latest Year Projected Ultimate Loss & DCCE Ratio
Liability	84,702,362	99,114,679	117.0%
Physical Damage	23,131,088	15,751,491	68.1%
Combined	107,833,450	114,866,170	106.5%

## PRIOR APPROVAL RATE TEMPLATE FOR PROPERTY & LIABILITY LINES SUMMARY

Coverage/Form/Program	Latest Year Adjusted Annual Premium (\$)	Minimum Permitted Earned Premium (\$)	Maximum Permitted Earned Premium (\$)	Change at Minimum %	Change at Maximum %	Proposed %
Property	104,596,368	87,752,839	114,626,494	-16.1%	9.6%	6.0%
Liability	97,653,269	97,356,036	168,520,168	-0.3%	72.6%	6.0%
Combined	202,249,636	185,108,875	283,146,662	-8.5%	40.0%	6.0%

Combined Total Earned Exposures for Latest Year:

40,866

Coverage/Form/Program	Average Earned Premium \$ per Exposure				Latest Year Earned Exposures
	Latest Year Adjusted	Minimum Permitted	Maximum Permitted	Proposed	
Property	4,053.17	3,490.74	4,559.75	4,296.36	25,806
Liability	6,484.28	7,276.85	12,595.99	6,873.34	15,060
Combined	4,949.09	4,529.65	6,928.66	5,246.04	40,866

Coverage/Form/Program	Latest Year Adjusted Annual Premium (\$)	Latest Year Projected Ultimate Loss & DCCE (\$)	Latest Year Projected Ultimate Loss & DCCE Ratio
Property	104,596,368	72,451,293	69.3%
Liability	97,653,269	92,115,293	94.3%
Combined	202,249,636	164,566,586	81.4%

## PRIOR APPROVAL RATE TEMPLATE FOR PROPERTY & LIABILITY LINES SUMMARY

Coverage/Form/Program	Latest Year Adjusted Annual Premium (\$)	Minimum Permitted Earned Premium (\$)	Maximum Permitted Earned Premium (\$)	Change at Minimum %	Change at Maximum %	Proposed %
Liability	56,460,382	32,412,764	59,002,756	-42.6%	4.5%	3.5%
Combined	56,460,382	32,412,764	59,002,756	-42.6%	4.5%	3.5%

Combined Total Earned Exposures for Latest Year:

15,848

Coverage/Form/Program	Average Earned Premium \$ per Exposure				Latest Year Earned Exposures
	Latest Year Adjusted	Minimum Permitted	Maximum Permitted	Proposed	
Liability	3,562.66	2,061.27	3,752.25	3,687.35	15,848
Combined	3,562.66	2,045.25	3,723.08	3,687.35	15,848

Coverage/Form/Program	Latest Year Adjusted Annual Premium (\$)	Latest Year Projected Ultimate Loss & DCCE (\$)	Latest Year Projected Ultimate Loss & DCCE Ratio
Liability	56,460,382	39,535,671	70.0%
Combined	56,460,382	39,535,671	70.0%

**Indicated Rate Change  
Workers Compensation  
California  
Assumed Effective Date: July 1, 2020**

**Premium Development**

Premium Development									
	(1)	(2)	(3) = (1) * (2)	(4)	(5) = (3) * (4)	(6)	(7)	(8) = (5) * (6) * (7)	
Total	12 Months Ending	Earned Premium	On-Level Factor	On-Level Earned Premium	Current Price Level Factor	Manual On-Level Earned Premium @ Current Pricing	Retrospective Premium Trend Factor	Prospective Premium Trend Factor	Trended Manual On-Level Earned Premium @ Current Pricing
	06/30/2015	0	1.000	0	1.000	0	2.5%	2.5%	0
	06/30/2016	0	1.000	0	1.000	0	1.120	1.052	0
	06/30/2017	0	1.000	0	1.000	0	1.092	1.052	0
	06/30/2018	67,448	0.900	60,682	0.894	54,268	1.065	1.052	0
	06/30/2019	1,406,415	0.915	1,287,066	0.894	1,254,009	1.038	1.052	59,264
					0.974		1.013	1.052	1,335,438
	Total	1,473,862		1,347,748		1,308,277			1,394,702

**Loss Development**

		(9)	(10)	(11)	(12)=(9)+(10)+(11)	(13)	(14)	(15)=(12) * (13) * (14)
		Ultimate Actual Losses						
Indemnity	12 Months Ending	Non-Weather, Standard Loss	Non-Weather, Mid-Layer Loss	DCC	Total Loss & DCC	Retrospective Loss Trend Factor	Prospective Loss Trend Factor	Trended Ultimate Loss & DCC
	Selected Loss Ratios	10.3%	3.8%	1.7%	16.4%	-1.1%	-1.1%	15.8%
	06/30/2015	0	0	0	0	0.958	0.973	0
	06/30/2016	0	0	0	0	0.968	0.973	0
	06/30/2017	0	0	0	0	0.979	0.973	0
	06/30/2018	19,937	750	440	21,127	0.989	0.973	20,339
	06/30/2019	172,631	33,274	27,916	233,821	1.000	0.973	227,549
	Total	192,567	34,024	28,356	254,948			247,888
Medical	Selected Loss Ratios	12.9%	5.6%	3.2%	24.5%	0.1%	0.1%	23.9%
	06/30/2015	0	0	0	0	1.002	1.001	0
	06/30/2016	0	0	0	0	1.002	1.001	0
	06/30/2017	0	0	0	0	1.001	1.001	0
	06/30/2018	52,706	0	4,041	56,746	1.001	1.001	56,848
	06/30/2019	45,420	31,686	43,901	121,007	1.000	1.001	121,162
	Total	98,125	31,686	47,942	177,753			178,010

**Permissible Development**

Variable Expenses	
Commissions	9.0%
Contingent Commissions	3.0%
Taxes	2.5%
Dividends	0.0%
Other Variable Expense	3.0%
Variable Expense Ratio	17.5%

(16)

Workers Compensation Continued

Fixed Expenses

General Expenses	12.5%	
Other Acquisition Expenses	5.4%	
Adjusting and Other Expenses	6.5%	
Other Fixed Expense	-0.3%	
Fixed Expense Ratio	24.2%	(17a)
U/W Profit and Investment Income	-0.2%	(18)
Net Cost of Reinsurance	0.4%	(19)
Permissible Expense & Profit	41.9%	(20) = (16) + (17a) + (18) + (19)
Permissible Loss & DCC Ratio	58.1%	(21) = 1 - (20)

Indication Calculation

	Total	
Projected Loss & DCC Ratio	39.7%	(15) Medical and Indemnity Combined
Fixed Expense Ratio	24.2%	(17a)
Fixed Expense Trend	2.3%	(17b)
Trended Fixed Expense Ratio	24.1%	(17c) = (17a) * [1 + (17b)] / [1 + (7)]
Variable Expense Ratio	17.5%	(16)
U/W Profit and Investment Income	-0.2%	(18)
Net Cost of Reinsurance	0.4%	(19)
State Credibility	13.6%	(22)
Complement of Credibility	59.3%	(23)
Credibility-Weighted Loss & DCC Ratio	56.7%	(24) = (15) * (22) + (23) * [1 - (22)]
<b>Indication - Credibility-Weighted</b>	<b>-1.8%</b>	(25) = [(24) + (17c)] / [1 - (16) - (18)] + (19) / [1 - (16)] - 1
Effective date of Rates currently in effect:	4/1/2020	(26)
Assumed Average Loss Date of rates currently in effect:	4/1/2021	(27)
Effective date assumed in Indications:	7/1/2020	(28)
Assumed Average Loss Date of 2019 MY indications:	7/1/2021	(29)
Trend Adjustment Period:	-0.25	(30) = [(27) - (29)] / 365
(Needed to bring indication to same average loss date of rates presently in effect)		
Credibility Weighted Loss and DCC Ratio from indication:	56.7%	(24)
Net Loss Ratio Trend from indication:	-3.0%	(31) = Weighted average of prospective loss trends/premium trend from Indication Exhibit
4/1/20 Rate Change approved and effective not reflected in Indications:	-8.6%	(32)
Adjusted Credibility Weighted Loss and DCC Ratio:	62.5%	(33) = (24) * (1 + (31))^(30) / (1 + (32))
(Carried forward to Summary Exhibit - Page 2 Column D)		
Adjusted Credibility Weighted Indication:	5.3%	
(Adjusted Indication for Trend Timing calculated using the expense ratios noted in indication and carried to Summary Exhibit Page 2 Column G)		

## PRIOR APPROVAL RATE TEMPLATE FOR PROPERTY & LIABILITY LINES SUMMARY

Coverage/Form/Program	Latest Year Adjusted Annual Premium (\$)	Minimum Permitted Earned Premium (\$)	Maximum Permitted Earned Premium (\$)	Change at Minimum %	Change at Maximum %	Proposed %
Liability	54,160,309	48,070,225	68,597,437	-11.2%	26.7%	15.1%
Physical Damage	17,079,189	16,481,284	20,381,867	-3.5%	19.3%	18.1%
Combined	71,239,497	64,551,509	88,979,303	-9.4%	24.9%	15.8%

Combined Total Earned Exposures for Latest Year:

61,279

Coverage/Form/Program	Average Earned Premium \$ per Exposure				Latest Year Earned Exposures
	Latest Year Adjusted	Minimum Permitted	Maximum Permitted	Proposed	
Liability	883.84	771.36	1,100.75	1,016.97	61,279
Physical Damage	295.03	281.02	347.53	348.29	57,889
Combined	1,162.55	1,053.41	1,452.04	1,346.00	61,279

Coverage/Form/Program	Latest Year Adjusted Annual Premium (\$)	Latest Year Projected Ultimate Loss & DCCE (\$)	Latest Year Projected Ultimate Loss & DCCE Ratio
Liability	54,160,309	55,770,437	103.0%
Physical Damage	17,079,189	12,800,285	74.9%
Combined	71,239,497	68,570,721	96.3%



## PRIOR APPROVAL RATE TEMPLATE FOR PROPERTY & LIABILITY LINES SUMMARY

Coverage/Form/Program	Latest Year Adjusted Annual Premium (\$)	Minimum Permitted Earned Premium (\$)	Maximum Permitted Earned Premium (\$)	Change at Minimum %	Change at Maximum %	Proposed %
Farmowners	121,425,363	127,167,991	161,395,431	4.7%	32.9%	6.9%
<b>Combined</b>	<b>121,425,363</b>	<b>127,167,991</b>	<b>161,395,431</b>	<b>4.7%</b>	<b>32.9%</b>	<b>6.9%</b>

Combined Total Earned Exposures for Latest Year:

24,376

Coverage/Form/Program	Average Earned Premium \$ per Exposure				Latest Year Earned Exposures
	Latest Year Adjusted	Minimum Permitted	Maximum Permitted	Proposed	
Farmowners	4,981.35	5,201.77	6,601.84	5,325.06	24,376
<b>Combined</b>	<b>4,981.35</b>	<b>5,216.93</b>	<b>6,621.08</b>	<b>5,325.06</b>	<b>24,376</b>

Coverage/Form/Program	Latest Year Adjusted Annual Premium (\$)	Latest Year Projected Ultimate Loss & DCCE (\$)	Latest Year Projected Ultimate Loss & DCCE Ratio
Farmowners	121,425,363	99,654,273	82.1%
<b>Combined</b>	<b>121,425,363</b>	<b>99,654,273</b>	<b>82.1%</b>

Indicated Rate Change  
Farm General Liability  
California  
July 1, 2020

Premium Development

		(1)	(2)	(3) = (1) * (2)	(4)	(5) = (3) * (4)	(6)	(7) = (5) * (6)
	12 Months Ending	Written Premium	Earned Premium	Current Rate Level Factor	Current Rate Level Earned Premium	Current Price Level Factor	Current Rate Level Earned Premium @ Current Pricing	Trended, Current Rate Level EP @ Current Pricing
Farm General Liability	06/30/2015	10,865,796	10,196,975	1.009	10,293,526	0.995	10,239,861	10,008,976
	06/30/2016	11,054,607	10,938,369	1.000	10,938,369	1.015	11,101,982	10,889,768
	06/30/2017	10,863,968	10,784,403	1.000	10,784,403	1.007	10,857,821	10,687,678
	06/30/2018	10,247,103	10,334,600	1.000	10,334,600	1.002	10,353,544	10,227,094
	06/30/2019	11,006,200	10,930,697	1.000	10,930,697	1.013	11,076,411	10,979,558
	Total	54,037,675	53,185,044		53,281,595		53,629,618	52,793,074

Loss Development

	(8)	(9)	(10)	(11)	(12)	(13)	(14) = (8) + ... + (13)	(15)	(16) = (14) * (15)
	Ultimate Actual Losses								
	12 Months Ending Selected Loss Ratios	Non-Weather, Standard Loss 10.5%	Non-Weather, Large Loss 29.9%	Weather, Non-CAT Loss 0.0%	Weather, CAT Loss 0.0%	Weather, Hurricane Loss 0.0%	ALAE 15.7%	Total	Trended, Ultimate Loss & ALAE
Farm General Liability	06/30/2015	1,088,894	3,605,385	0	0	0	1,450,748	6,145,028	6,158,432
	06/30/2016	682,752	2,846,501	0	0	0	1,387,059	4,916,312	4,924,283
	06/30/2017	1,216,680	3,426,993	0	0	0	1,896,769	6,540,442	6,551,719
	06/30/2018	765,012	4,696,948	0	0	0	1,838,860	7,300,820	7,311,779
	06/30/2019	964,563	2,565,642	0	0	0	1,730,425	5,260,631	5,265,913
	Total	4,717,901	17,141,470	0	0	0	8,303,861	30,163,232	30,212,125

Permissible Development

Indication Calculation

Farm General Liability			Farm General Liability		
Variable Expenses			Projected Loss & ALAE Ratio	56.2%	(22) = Sel. LR[(8) + ... + (13)] * (1 + LR Trend)
Commissions	15.0%		Permissible Loss & ALAE Ratio	60.1%	(21)
Contingent Comm	1.9%				
Taxes	2.4%				
Dividends	0.0%				
Other Variable Expense	0.0%				
	19.4%	(17)	Indication - State Data Only	-5.0%	(23) = [(22) + (18)] / [1 - (17) - (19)]
Fixed Expenses			State Credibility	21.3%	(24)
General Expenses	5.5%		Complement of Credibility	0.4%	(25)
Other Acquisition	7.0%				
ULAE	5.8%		Indication - Credibility-Weighted	-0.7%	(26) = (23) * (24) + [1 - (24)] * (25)
Other Fixed Expense	-0.5%				
	17.8%	(18)			
U/W Profit and Investment Income	2.3%	(19a)			
Net Cost of Reinsurance	0.5%	(19b)			
Permissible Expense & Profit	39.9%	(20) = (17) + (18) + (19a) + (19b)			
Permissible Loss & ALAE Ratio	60.1%	(21) = 1 - (20)			

Indicated Rate Change  
Farm Workers Compensation  
California  
July 1, 2020

Premium Development

		(1)	(2)	(3) = (1) * (2)	(4)	(5) = (3) * (4)	(6)	(7) = (5) * (6)
	12 Months Ending	Written Premium	Earned Premium	Current Rate Level Factor	Current Rate Level Earned Premium	Current Price Level Factor	Current Rate Level Earned Premium @ Current Pricing	Trended, Current Rate Level EP @ Current Pricing
Farm Workers Compensation	06/30/2015	0	0	1.000	0	0.000	0	0
	06/30/2016	0	0	1.000	0	0.000	0	0
	06/30/2017	3,422,893	1,391,033	0.863	1,200,495	1.003	1,204,488	1,340,368
	06/30/2018	5,996,507	5,007,453	0.868	4,344,890	0.998	4,336,276	4,708,058
	06/30/2019	<u>6,659,710</u>	<u>6,630,683</u>	<u>0.901</u>	<u>5,974,766</u>	<u>1.019</u>	<u>6,091,049</u>	<u>6,445,704</u>
	Total	16,079,110	13,029,170		11,520,151		11,631,812	12,494,131

Loss Development

		(8)	(9)	(10)	(11)	(12)	(13)	(14) = (8) + ... + (13)	(15)	(16) = (14) * (15)
	12 Months Ending	Non-Weather, Standard Loss	Non-Weather, Large Loss	Weather, Non-CAT Loss	Weather, CAT Loss	Weather, Hurricane Loss	ALAE	Total	Trend Factor	Trended, Ultimate Loss & ALAE
	Selected Loss Ratios	29.3%	28.5%	0.0%	0.0%	0.0%	3.9%		0.4%	
Farm Workers Compensation	06/30/2015	0	0	0	0	0	0	0	1.027	0
	06/30/2016	0	0	0	0	0	0	0	1.023	0
	06/30/2017	285,681	0	0	0	0	33,888	319,569	1.019	325,606
	06/30/2018	1,903,886	53,666	0	0	0	320,513	2,278,065	1.015	2,311,458
	06/30/2019	<u>1,361,200</u>	<u>288,358</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>276,680</u>	<u>1,926,238</u>	<u>1.010</u>	<u>1,946,357</u>
	Total	3,550,767	342,024	0	0	0	631,081	4,523,872		4,583,420

Permissible Development

Indication Calculation

Farm Workers Compensation			Farm Workers Compensation		
Variable Expenses			Projected Loss & ALAE Ratio	60.6%	(22) = Sel. LR[(8) + ... + (13)] * (1 + LR Trend)
Commissions	9.9%		Permissible Loss & ALAE Ratio	61.4%	(21)
Contingent Comm	3.1%				
Taxes	2.4%				
Dividends	0.0%				
Other Variable Expense	<u>3.0%</u>		Indication - State Data Only	-1.0%	(23) = [(22) + (18)] / [1 - (17) - (19)]
	18.5%	(17)			
Fixed Expenses			State Credibility	18.8%	(24)
General Expenses	4.9%		Complement of Credibility	-1.8%	(25)
Other Acquisition	6.0%				
ULAE	7.5%		Indication - Credibility-Weighted	-1.7%	(26) = (23) * (24) + [1 - (24)] * (25)
Other Fixed Expense	<u>-0.5%</u>				
	17.9%	(18)			
U/W Profit and Investment Income	1.7%	(19a)			
Net Cost of Reinsurance	0.5%	(19b)			
Permissible Expense & Profit	<u>38.6%</u>	(20) = (17) + (18) + (19a) + (19b)			
Permissible Loss & ALAE Ratio	61.4%	(21) = 1 - (20)			